



MEMORANDUM

TO: Mayor and Council

FROM: Sylnovia Holt-Rabb, Assistant Director
Economic Development Department

DATE: February 13, 2017

SUBJECT: Texas Enterprise Zone Program

At the upcoming February 16, 2017 Council meeting, Council is posted to consider a resolution nominating YETI Coolers, LLC for designation by the Governor's Office of Economic Development and Tourism as a single Texas Enterprise Project. Attached for your information is additional detail regarding the Texas Enterprise Program. The summary briefly describes the history, benefits, and eligibility requirements of the program.

Please feel free to contact me at (512) 974-7802 or Dusty McCormick, Economic & Business Development Liaison at (512) 974-6390 if we can provide any additional information.

xc: Elaine Hart, Interim City Manager
Sue Edwards, Assistant City Manager
Kevin Johns, Director - EDD

Attachment

TEXAS ENTERPRISE ZONE PROGRAM

WHAT IS IT?

The Texas Enterprise Zone program is an economic development tool for local communities to partner with the State of Texas to encourage job creation and capital investment in economically distressed areas of the state. An enterprise zone is a census tract block group that has 20% or more poverty rate based upon the most recent decennial census federal poverty level information, a distressed county, a federally designated zone or renewal community. The State of Texas is the designating body for all Enterprise Zones.

WHAT IT DOES?

The Enterprise Zone Program encourages and assists Texas companies in creating or retaining jobs and in making sizable capital investments in their facilities with a refund of State sales and use taxes based on jobs created and on-site capital investments. On-site capital investments typically include facility and technology upgrades. In most cases, the program results in the retention of the Company's presence in the City.

HOW DOES IT WORK?

The applicant (any qualified business) is eligible to apply for a Half, Single, Double or Triple Designation based upon the capital investment and number of jobs being created and/or retained. The table below indicates the level of capital investment guidelines, the maximum number of jobs allocated, maximum potential refund per the level of investment, and the maximum refund per job allocated.

Level of Capital Investment	Maximum number of jobs allocated	Maximum potential refund	Maximum refund per job allocated
Half Enterprise Project			
\$40,000 to \$399,999	10	\$25,000	\$2,500
\$400,000 to \$999,999	25	\$62,500	\$2,500
\$1,000,000 to \$4,999,999	125	\$312,500	\$2,500
\$5,000,000 or more	250	\$625,000	\$2,500
Enterprise Project			
\$5,000,000 or more	500	\$1,250,000	\$2,500
Double Jumbo Project			
\$150,000,000 to \$249,999,999	500	\$2,500,000	\$5,000
Triple Jumbo Project			
\$250,000,000 or more	500	\$3,750,000	\$7,500

For example, if a company creates 500 jobs, and invests between \$5,000,000 and \$149,999,999, the maximum refund per job is \$2,500 per job, which would equate to a \$1,250,000 refund. If a company creates 500 jobs, and invests \$150,000,000 to \$249,999,999, the maximum refund per jobs is \$5,000 per job, which would equate to a \$2,500,000 refund.

The Texas state sales and use tax rate is 6.25%, but the local taxing jurisdictions (cities, counties, special purpose districts and transit authorities) may also impose sales and use tax up to 2% for a total maximum combined rate of 8.25%. For purposes of this program, it is the 6.25% portion of the tax that is used to provide a refund to corporations that apply for the Enterprise Zone program and are designated as a project. The 2.0% local tax is not affected; therefore, there is no fiscal impact to the City of Austin.

Projects may be physically located in or outside of the Enterprise Zone. If located within a zone, the company must commit that at least 25% of their new employees will meet economically disadvantaged, enterprise zone residence or veteran requirements. If located outside of the zone, the company must commit that at least 35% of their new employees will meet economically disadvantaged, enterprise zone residence or veteran requirements.

WHAT IS THE CITY'S ROLE IN THE PROCESS?

Participating cities are required to have an ordinance on file with the State of Texas Governor's Office of the Economic Development that authorizes Council to hold hearings on applications submitted for approval. Each participating City can approve up to nine (9) designations per biennium. The City of Austin established its Enterprise Zone Program under Ordinance No. 20071018-008 which also nominated Otis Spunkmeyer, Inc. for designation as an Enterprise Zone Project. The Home Depot U.S.A. Data Center Enterprise Zone Project was nominated in 2004 and was later approved by the State of Texas. At that time, it was a project specific action with incentives directed to Home Depot U.S.A. only, and not to any future project applicants.

Once a City has an approved Enterprise Zone Ordinance, applications received simply require a City resolution naming said company (as the applicant) as an Enterprise Zone Project for a half, single, double, or triple designation. When an application is approved, the signed application, signed and seal stamped resolution and associated fee are sent to the Governor's Office of Economic Development for consideration on or before the quarterly due date. If the state approves the designation of a company as an Enterprise Zone Project, the company would be eligible for a refund of state sales and use tax based on the employment criteria and the amount of the capital spent at the qualified business site.

PROJECTS APPROVED

Tabled below is a list of applications approved by the City since program inception, the jobs created/retained, capital investment, and any subsequent approvals by the State.

City of Austin's Enterprise Zone Program					
Nominations	Date Submitted	Capital Investment	Jobs Created	Jobs Retained	State Approved
Home Depot USA., Inc. - Data Center	9/1/2004	\$331,500,000	500	0	Yes
Otis Spunkmeyer, Inc.	9/4/2007	\$17,800,000	60	123	Yes
Spansion LLC	12/3/2007	\$280,000,000	0	1271	Yes
Bazaarvoice, Inc	6/2/2010	\$6,050,000	513	208	No
St. David's Healthcare Partnership, LP, LLP	6/2/2010	\$71,775,000	0	654	No
Samsung Austin Semiconductor, LLC	9/1/2010	\$3,599,000,000	500	1035	Yes
Gila, LLC	9/1/2011	\$5,500,000	150	303	No
US Farathane Corporation	3/1/2012	\$26,877,000	228	0	No
eBay, Inc.	12/2/2013	\$8,486,323	400	651	Yes
Spansion LLC	6/2/2014	\$230,500,000	0	500	Yes
Flextronics America LLC	6/2/2014	\$15,000,000	300	200	Yes
Freescale Semiconductor, Inc	12/1/2015	\$11,000,000	0	500	Yes
Samsung Austin Semiconductor, LLC	12/2/2016	\$500,000,000	0	500	In Process